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Daily Report – Global Markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	18 085	↓ -2,13	↓ -2,20
S&P500	2 128	↓ -2,45	↓ -2,39
Nasdaq100	4 682	↓ -2,55	↓ -2,44
Russell2000	1 219	↓ -3,11	↓ -2,61
Stoxx600	346	↓ -1,09	↓ -1,40
DAX	10 573	↓ -0,95	↓ -1,03
FTSE 100	6 777	↓ -1,19	↓ -1,71
CAC40	4 491	↓ -1,12	↓ -1,12
ATX	2 395	↓ -0,78	↑ 1,08
IBEX35	9 026	↓ -0,83	↑ 1,31
Nikkei 225	16 643	↓ -1,90	↓ -1,67
Hang Seng	22 129	↓ -2,82	↓ -0,97
SSEC	3 010	↓ -2,22	↓ -2,01
SENSEX	28 375	↓ -1,47	↓ -0,60
RTS	988	↓ -2,49	↑ 1,86
Bovespa	58 000	↓ -3,71	↓ -2,71

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1229	↓ -0,26	↑ 0,84
EUR/CHF	1,0955	↑ 0,05	↑ 0,41
GBP/USD	1,3262	↓ -0,24	↓ -0,29
USD/JPY	102,52	↓ -0,16	↓ -0,87
AUD/USD	0,7532	↓ -0,08	↓ -0,61
USD/CAD	1,3064	↑ 0,14	↑ 1,08
USD/RUB	64,58	↓ -0,21	↓ -0,56

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	17,5	↑ 5,0	↑ 4,0
CDS 5Y PIIS	18	↑ 1,1	↓ -1,4
CDS 5Y Italy	116	↑ 0,8	↓ -2,1
CDS 5Y Belg.	115	↑ 0,0	↓ -1,0
iTraxx 5Y EU	22,6	↑ 2,9	↑ 0,6
US TED Spread	68,3	→ 0,0	↓ -0,5

Source: Reuters, OTP Research

Summary

- Fed official Rosengren mentioned the possibility of a September interest rate hike; the message smashed Friday's sentiment.
- The key indices fell 2-3%, commodities were sold; the USD firmed against the key currencies.
- Asia opened on a sour note this morning.

In Friday's unenthusiastic trading on global markets, indices edged down on both sides of the Atlantic. As Eric Rosengren, a Fed decision-maker talked about the possibility of a September rate hike, markets began to fall sharply. By the end of the day, the DAX and the S&P500 both slid more than 2%. Commodity prices also fell on Friday. The WTI fell more than 3% in Friday's trading, but gold (-0.4%) and silver (-1.6%) prices also shed. The president of Boston Fed, Eric Rosengren also said that Fed inaction could overheat the US economy and possibly add to financial stability risks. Previously, he advocated using low interest rates combat unemployment. But the shift in his standpoint indicates that an increasing number of Fed decision-makers say that the time for monetary tightening is approaching. What supports this idea is that an increasing number of Fed policy-makers make the case for Fed fund rate hike. Today Lael Brainard, a Fed governor will make a speech. Given that she has been a fierce opponent of a rate hike, a different tone in her speech could be an indication for markets.

In agreement with many economists of European big banks, Germany's finance minister said that the Basel Committee should change its capital requirement in the near future. An economist with Credit Agricole recommends leaving the current capital requirements (which are much higher than before the financial crisis) in place for at least five years, to let reforms bear fruits. If the Basel Committee tightens capital requirements again, that would lead to a drastic reduction in lending. According to Mr Schauble, the Basel rules should not apply the USA and Europe equally, because financing is done in the capital markets in the former, whereas companies are financed via banks in Europe. Banking shares would benefit from signs that point towards postponing the alteration of rules during the meeting in Basel on 14-15 September.

Listing the most important money market risks in the near future, an analysis by Deutsche Bank mentions the Fed fund rate increase, the rising oil price, the fall in global equity indices, the slowing of China's economy, and the devaluation of the Chinese currency.

Asia's markets opened the week gloomily. Japan's Nikkei lost nearly 2% and China's Hang Seng fell almost 3%.

GOV'T BOND MARKET

	Yield (%)		Daily chg (bp)		Weekly chg (bp)
US 2Y	0,78	↑	1	↑	78
US 10Y	1,67	↑	7	↑	167
JP 2Y	-0,22	↓	-2	↓	-3
JP 10Y	0,00	↑	2	↑	1
GER 2Y	-0,64	↑	1	↓	-3
GER 10Y	-0,05	↑	6	↑	1

CENTRAL BANKS' RATES

	Rate (%)		6M Consensus		1Y Consensus
Fed Funds	0,5	↑	0,75	↑	1,25
ECB Rate	0,00	→	0,00	→	0,00
BOE Rate	0,25	→	0,25	→	0,25
BOJ Rate	0,10	→	0,10	→	0,10
SNB Target	-0,75	→	-0,75	→	-0,75

MONEY MARKET

	Rate (%)		Daily chg (bp)		Weekly chg (bp)
US 3M Libor	0,85	↑	1	↑	1
US 2Y Swap	1,01	↓	-1	↑	1
US 5Y Swap	1,19	↓	-2	↑	0
EUR 3M Euribor	-0,30	↑	0	→	0
EUR 2Y Swap	-0,23	↓	-2	↓	0
EUR 5Y Swap	-0,11	↑	3	↑	2
GB 3M Libor	0,38	↓	0	↓	-1
GB 2Y Swap	0,46	↑	1	↓	-1
GB 5Y Swap	0,58	↑	5	↑	5
JP 3M Libor	-0,03	↓	0	↓	0
JP 2Y Swap	-0,11	↓	-1	↓	-1
JP 5Y Swap	-0,08	↓	0	↓	-2
CHF 3M Libor	-0,73	→	0	↑	1
CHF 2Y Swap	-0,67	↑	1	→	0
CHF 5Y Swap	-0,58	↑	3	↑	1

COMMODITIES

	Close		Daily chg. (%)		Weekly chg. (%)
Oil Brent	48,0	↓	-3,96	↓	-0,63
Gold	1 328	↓	-0,77	↑	0,21

Source: Reuters, OTP Research

Germany's exports data, released this morning, contracted by 2.5% month/month, massively undershot analysts' projections. The reason for the huge fall is that this year factories stopped working in July, instead of August, as usually. Wholesale inventories were revised down.

Despite the absence of macrostats today, markets may move meaningfully, as they did on Friday when the Boston Fed president's words triggered a sharp fall in equities and a steep rise in volatility. Today Fed governor Lael Brainard will speak. Given that she has been fiercely against rate hike, a different tone in her speech could be an indication for markets.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Friday	DE	Jul	Export (mom, %)	-2,6	0,3	0,2
	US	Jul	Wholesale inventories (revised, mom, %)	0,0	0,1	0,3
Monday			no data			

Source: Reuters, OTP Research

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